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+++ presentation

Patrick Andre^ Ladies and gentlemen, welcome to Vesuvius Half Year 2025 results presentation. My name is Patrick Andre. I'm the Chief Executive of Vesuvius. And to my right with me this morning is Mark Collis, our Chief Financial Officer.

I will start with some updates on our performance during the year. Then Mark will give you more details on our financials and I will then conclude at the end of the meeting with some perspective on the full year 2025 and beyond before opening the floor for questions.

Our results for the half year were in line with our expectations despite the difficult market conditions. Our revenues declined only 0.4% on the underlying basis as market share gains in both the steel and foundry divisions nearly fully compensated the market decline as compared with last year.

Our trading profit however declined 16.1% on an underlying basis as our strong cost-cutting efforts could not fully compensate the adverse mix pricing and pricing effect during the first half. As a consequence, our return on sales declined by 160 basis points to 8.5%.

Due to the one-off cash impact of the PiroMet acquisition, the financing of our [second half] share buyback program and the completion of our capacity expansion program in Asia and in Flow Control, our net debt-to-EBITDA ratio reached a temporary level of slightly below 2 at the end of the first half. However, as these programs are now completed, we are very confident that our leverage ratio will start declining as from the second half of this year. We are planning for the ratio to decline to 1.8% by the end of

the year and reduce further in 2026.

As a consequence, the Board then considered to propose an interim dividend unchanged as compared with last year at 7.1p per share. Despite the more difficult and planned market environment, we could achieve results in line with expectations during the first half, thanks to very significant market share gains and cost reduction efforts in both divisions. The steel division showed resilience despite the challenging market positions with steel production declining in all main regions with 1 notable exception, which was India, where growth was quite strong at 9.2%.

Both Flow Control and Advanced Refractories gained market share overall, nearly fully compensating the general market decline. The recovery of cost inflation through price increases was, however, particularly challenging during the first half and could not be fully compensated by strong cost reduction actions.

On the Foundry Division side, markets also declined significantly as compared with H1 last year, but we are globally stable as compared with H2. This market decline as compared with last year was almost completely compensated by market share gains.

Thanks to an efficient cost-cutting program, the Foundry division could slightly improve its profitability as compared with the second half of 2024. In parallel, we continue to make good progress in the management and productivity of our R&D with a further increase of our new product sales ratio during the period to 19.5%.

And last but not least, we maintained during the first half a strong safety performance with the continuation of the good results achieved in 2024, which now positions us among the best-in-class manufacturing companies worldwide.

Let's now have a look in more details at the performance of the Steel division. Starting with the steel market. You can see on this slide, where the size of the bubbles is proportional to the sales of our Steel division, how the steel production has evolved during the first half.

Global steel production outside of China and excluding Iran, Russia and Ukraine, where we can't operate today, declined 0.3% during the period. The steel production outside of China was again negatively impacted by an increase of 5.3 million tonnes in Chinese net steel export over the period.

Growth would have been a positive 1% if Chinese net steel exports would have remained stable. Indian steel production registered a very strong growth of 9.2% during the period, but it was mostly driven by induction furnaces. If you exclude those

induction furnaces, however, growth was still very impressive at 5.1%.

North America situation was contrasted with positive steel production growth in the United States, nearly fully compensating decline in Mexico and Canada. EMEA steel production declined during the first half, but there also with a very contrasted situation between EU plus UK on one hand, where steel production declined quite significantly, 4.9%, and the rest of the region, mostly Turkey, Middle East, Africa, where production was essentially stable.

Despite an increase in net steel exports, China steel production also declined around 3% due to the weakness of domestic consumption. In this challenging market environment, both Flow Control and Advanced Refractories gained market share overall during the first half. Flow Control progressed faster than the market in EMEA and in particular, in EU plus UK, in China, in Southeast Asia and in Brazil. It progressed slightly less than the market in North America due to the closures and production reductions in Mexico of some specific customers where we had very high market shares.

Advanced Refractories continued to progress faster than the market in Asia, both in India and in China and started regaining market share in EU plus UK and in the United States. The Steel division overall progressed faster than the market in India, excluding the induction furnace market, which we do not serve.

The division showed resilience in difficult market conditions. Revenue was flat on an underlying basis, reflecting both stable volumes as market share gains could compensate for the general market decline, but also stable prices as the division exercised good pricing discipline despite the challenging environment.

The division also exceeded expectations in its cost-cutting efforts. However, recovery of cost increases through price increases and and in particularly, labor cost inflation was challenging during the first half. The division was also negatively impacted by what we believe is a temporary mix negative effect as some customers under short-term financial pressures have decided to switch to lower cost, lower performance but also lower margin products. This was particularly the case in EU plus UK.

As a consequence, profitability eroded as the stability of headline prices and the cost savings program could not fully offset the increase of some cost factors and in particular, labor and the adverse product mix effect.

Let's now turn to the Foundry division. As you can see on this slide, foundry market in the first half declined very significantly as compared with last year. This was particularly the case in EU plus UK, in South America and in North America. All end markets were

affected, both light vehicle and general industrial markets.

However, the market is now stabilized at similar level to the second half of 2024, and it has stopped declining. The nonferrous foundry sector is also resisting better than the ferrous foundry sector and has better growth prospects going forward. It is a division strategic objective to progressively increase its exposure to this nonferrous foundry sector, which today represents 21% of the division sales as compared with 18% two years ago.

Looking at the financials, the Foundry division registered quite well in this difficult environment. It could, in particular, partially compensate the close to 8% very significant market decline as compared with first half last year with very significant market share gains in all geographies. Revenue evolution was very contrasted, however, between regions with a significant decline of 7% in EMEA and at the same time, a very strong growth of 20% in India.

Headline prices decline was limited to around 1%, even slightly below 1% despite the difficult environment, thanks to good pricing discipline as in the Steel division. The division could also achieve significant cost reductions through manufacturing and SG&A restructuring.

Despite those efforts, the division's result declined 15% on a constant currency basis as compared with first half last year due to the negative volume and net pricing effect. However, the division results increased 16% as compared with the second half 2024 on a constant currency basis.

A word about India, which is important and growing in importance for Vesuvius. The growth of both the steel and foundry markets has strongly accelerated in India after the pandemic. We believe it is a structural phenomenon and that this growth will continue and even probably accelerate further in the many years to come.

In fact, India is now having its hocky stick moment as China 25 years ago, and Vesuvius is ideally positioned to benefit from the tailwinds both in steel and in foundry. We've been heavily investing in the country for many years, not only in state-of-the-art manufacturing capacities, but also in people, building extremely competent entrepreneurial and dedicated and loyal management teams.

As you can see on this slide, this long-term strategy is now paying off with very strong top line growth, both in steel and foundry, exceeding the already quite high underlying general market growth. And the Vesuviys story in India is not only about the top line, it's also about financial returns as the profitability of our operations in the country is now

firmly above group average.

The share of group revenues we derive from India has increased steadily over the past year from barely 8% in 2017 to close to 13% in the first half of this year and we expect this percentage to continue to grow significantly in the future as we continue to invest and grow in the country.

Despite the challenging market conditions, we maintain our R&D efforts to support our top line and profitability going forward. You can see on this slide a few examples of new products, which we launched recently in each of our three business units.

On the left part of the slide, you can see the new cold start Flow Control [hydro-static] products, which are now being proposed to our customers worldwide. These products can be used directly by our steel customers without any need for preheating. They enable longer casting sequences and they help our customers reduce their cost and improve their safety and sustainability performance.

At the center of the slide, you can see the new fully automated dry-vibe lining robotic solution, which our Advanced Refractories business unit is now proposing to our steel customers. And the first of this will be installed in the United States in a few months. It improves the consistency and quality performance of the tundish lining and through elimination of human interaction in one of the most difficult part of the steel plant, it helps our customers improve the safety of their personnel and, of course, reduce their cost.

Finally, on the right, you can see the new flux powder introduced by our foundry division for aluminum foundries. It helps optimize the micro structure of cast aluminum to improve its mechanical properties. This is particularly important for safety components in the automotive market.

In line with our long-term commitment to R&D and differentiation through technology, we maintain our research efforts to around 2% of our turnover, fully expensed in our P&L, and this irrespective of market ups and downs. And as you can see on this slide, this long-term policy, coupled with an efficient management of R&D has enabled us to regularly progress in our new product sales ratio defined as the percentage of our sales realized with products which didn't exist five years ago.

This ratio has been steadily progressing over the past year and is now reaching 19.5%, close to our long-term target of 20%. These new products are very important for Vesuvius as they help us gain market share over competition and increase our profitability over time.

Following our acquisition of a 61.65% stake -- controlling stake in the Turkish company PiroMet beginning of this year, we have been making very good progress regarding the integration of the PiroMet team on activities within the global steel division. The PiroMet acquisition not only complements very well our refractory offering to the fast-growing Turkey and Middle Eastern market, but as you can see on this slide, also complements and extends our robotics offering worldwide, both for Advanced Refractories and for Flow Control. The collaboration between PiroMet and our (inaudible) teams worldwide is progressing at pace, and we are starting to identify a promising pipeline of prospects for future projects.

Last but not least, we were able to maintain, during the first half of the year, a very strong safety performance with a lost time incident frequency rate of 0.55, very close to a record level of 2024. This resilient performance is a result of a long-term action plan engaged into several years ago to systematically identify and mitigate the safety risk in our plants, but also in the plants of our customers where our employees are present.

This absolute priority to safety, strongly supported by the Board is a defining element of company's future, and it positions us today among the best manufacturing companies worldwide in terms of safety performance. Our ultimate objective, however, remains to become a zero accident company, and we will continue our efforts in this direction.

I will now hand over to Mark, who will give you more information about our financial performance during the first half.

Mark Collis^ Thank you, Patrick. Good morning, everybody. Starting with revenue. My key message is that our revenue has been very resilient in what has been a very tough market, clearly demonstrating the benefits of our business model, our geographical diversity and our ability to adapt. In constant currency and excluding the acquisition of PiroMet, our revenue was broadly stable despite an 8% decline in foundry end markets and challenging conditions in the global steel market. Of particular note should be the very moderate change in our selling price, which has been negligible.

Now looking at the bridge, revenue in H1 2024 was GBP937 million. And after adjusting for the stronger pound, the restated underlying revenue would be just over GBP900 million. For the volume impact, there are two major factors at play: firstly, the impact of the weaker market in foundry; and secondly, almost offsetting this, we continue to deliver market share gains across all business units, including Advanced Refractories.

Taking the foundry market first, end markets have remained tough and at a cyclical low point, although our view has been that these are stabilizing, and this has been proven

out in the first half. The second factor impacting our revenue has been another strong period of market share gains, which has been achieved in both Flow Control and Foundry, but also in Advanced Refractories. We estimate this has driven revenue growth of greater than 2%, and this is materially ahead of our midterm target. Most importantly, I believe this puts us in a strong position when market conditions return to normality.

So to summarize, our group revenue has held up very well when faced with end market declines of 8% in foundry combined with weaker steel markets. And I think that definitely shows our business model continues to be highly effective.

And now turning to trading profit. The numbers here clearly show the impact on profit from the challenging and more competitive environment. However, what's important is how management reacts. In our case, we have turned up the dial on our structural cost reduction program to be both harder and faster. I continue to believe we will see a full and outsized benefit from these actions when normal market conditions return.

Now looking at the bridge, the half year currency impact was a headwind of GBP6 million and adjusting for this gives a return on sales of 10.1%. You will note that in H1, we've experienced both a volume and mix impact as well as negative net pricing performance.

The mix impact is due to both differences in regional operating leverage and product mix. For example, foundry, in particular, is impacted in Europe by volume declines, where the higher fixed cost manufacturing element proportionate to revenue creates a negative drop-through compared to, say, India, where lower fixed costs result in lower positive drop-through.

On the product mix, there has been an impact in steel with certain customers prioritizing cost over value in response to their own competitive environment. This is predominantly a European issue, which accounts for over half of the mix impact.

Turning to price. As we communicated in May, the challenging trading environment has also made the recovery of input costs, particularly labor, more challenging than usual. Again, this is an issue in Europe, but also in China, where customers in those regions are experiencing competitive pressures due to their own contracted markets.

As I mentioned earlier, we are making strong progress on the cost reduction front. In the first half, we closed our only production site in the UK. We successfully transferred numerous product lines from Germany to Turkey. We went live on a number of automation projects, and we reorganized our North American steel business. In addition, we, of course, maintain a very tight control on all discretionary expenses,

including management incentives as we did in 2024.

Notwithstanding the difficult conditions, it is important to note that we fully ring fence our R&D efforts, spending around GBP20 million or 2% of revenue fully expensed in our P&L. And finally, to mention PiroMet, our acquisition in Turkey, we have taken a very prudent position on profit recognition so far after we took control in March. As one might expect, this was a family-run business, and we are upgrading the finance function, and this will be complete by year-end.

So to quickly summarize, markets have been tough, particularly in Europe, but we have reacted well on the cost front and we continue to do so, seeing the full benefit of these actions once normal conditions return. So looking at the income statement, I've already covered the trading elements, so I'll address the finance costs and minority interest. Our finance costs are higher as a direct consequence of the higher leverage, which has added around GBP3.2 million to the interest charge, but we also benefited from lower rates, including the benefit of our new nonrecourse loan in China.

For minority interest, the slightly lower charge partially offsets higher depreciation from our CapEx investment in India, where we will see the full benefit as we progressively utilize the new capacity over the next couple of years. It is worth noting that our two Indian businesses continue to perform exceptionally well, and we have achieved both market share gains and increases in selling prices. Both businesses generate a return on sales well above average and have a strong position in their respective markets.

Our half year headline EPS was 17.1p, which was down 16.4% on a constant currency basis, but less than the 22% decline in profit due to the reduction in share count from the share buyback. And finally, turning to the interim dividend. The Board has approved an interim dividend of 7.1p per share. The level of dividend is a recognition by us. And even though we have seen an EPS reduction of 16%, we feel sufficiently confident in the future to maintain the dividend at the same level as the prior period.

So in our working capital, we have seen a slight increase of GBP17.5 million when compared to H1 2024. This reflects the impact of PiroMet as well as the buildup of safety stock ahead of two plant closures in Europe together accounted for GBP10 million of the increase.

In the second half, we will see the unwind of that safety stock, but also more importantly, is the seasonal unwind that you can see on the graph. Regarding the remaining increase of GBP8 million, we are clearly disappointed with this and remain convinced that we can progressively deliver our long-term target of 21%.

Working capital management continues to be a primary focus for us all at Vesuvius, and we're investing in a stronger supply chain function, reassessing order points across all of our plants, tracking how quickly we raise invoices, examining where we can improve our contract terms and investing in better systems. We are confident such steps always pay off, and we will redouble our efforts over the second half.

Given the seasonality of working capital just described, half year cash conversion is clearly not representative of our annual cash flow capability. What the chart does demonstrate, however, is the ramp down of our CapEx spend.

For those that regularly follow Vesuvius, you'll know that we have had an elevated level of CapEx spend amounting to GBP100 million per annum over the last three years. This expansionary CapEx program is now complete, and we can see a clear reduction of our CapEx reducing to GBP36 million compared to the first -- this time last year of GBP50 million.

Within that GBP36 million, we, of course, maintain our plant, but also it captures profit-enhancing investments such as the implementation of our ERP system, plant automation and customer installations, all of which are justified by future returns and quick paybacks coming in the form of either securing market share or reducing headcount.

So turning to net debt and leverage. Both have increased in the period and were due to several factors. As described on the previous page, cash flow conversion was low, which resulted in free cash flow being slightly negative in the period. For the reasons explained, this will turn around in the second half.

Looking ahead, on an annualized basis, we should expect sufficient free cash flow to fully cover the dividend and provide sufficient cash either for M&A, share buybacks or a combination of the two. In this first half, we completed our second share buyback, which had started in November last year and finished in early April. Returned GBP35 million this year and bringing a total of the two programs to GBP100 million since November '23.

We also completed the acquisition of PiroMet earlier in the period, which has had a skewed impact on gearing, where we have the whole of the consideration in debt but only a small portion of the full year EBITDA contribution. This, combined with adverse FX impacts, has added 0.2 to the headline gearing.

We're clearly at the top end of our preferred range of 1 times to 2 times, and we will now focus on reducing leverage. Given our expectation is for stable profit in the second half,

the fact that we have reduced CapEx and reflecting the seasonal unwind of working capital, we anticipate our leverage will reduce by 1.8 times by the year-end.

So before I hand back to Patrick, I'd give you an update on our cost reduction program. Firstly, we are making strong progress. As already mentioned, we have delivered GBP10 million of in-year savings this year so far and have increased the target for this year to GBP20 million. This is on top of the savings delivered in 2024 of GBP13 million, i.e., we expect to be at GBP33 million of in-year savings by the end of 2025, which is one year earlier than our original Capital Markets Day commitment, which we gave in November '23.

In our full year '24 update, we increased our target to cover that to over GBP45 million, and I can now confirm that the new target is for GBP55 million in-year savings by 2028. Given the persistent challenging conditions in Europe, we will focus on this region. While we have already done a lot, particularly around the significant restructuring that took place in 2018, we believe there is more that can be done.

In the second half, we expect to rationalize a further plant in Europe. We'll continue to trim up fixed costs, address some of our warehouse capacity and also make further progress in automation while transferring additional production capacity to lower-cost countries.

Notwithstanding these reductions, we maintain enough capacity in Europe to benefit from any potential rebound in this region should they occur, and we continue to invest in automation in Poland and Turkey, which are well positioned irrespective of where activity returns.

So with that, I will hand back to Patrick for the outlook and the closing remarks.

Patrick Andre^ Thank you, Mark. With the exception of India, we've seen a continuation of general weakness in our end markets during the first half. We now anticipate that these challenging market conditions will persist for the balance of the year and particularly in Europe.

The pricing environment was also challenging at the beginning of this year, in particular in Europe and in China, limiting our ability to fully recover labor cost inflation. We, however, anticipate progressively improving our pricing performance over the second half of this year to partially recover cost inflation, albeit with a delayed effect. The implementation of these price increases has already started.

As a result, we now expect our performance in the second half of the year to be broadly

similar to the one in the first half. Beyond '25, we remain fully confident in our strategy and in the growth potential of our steel and foundry market. In particular, in steel, the stated intention now of the Chinese government to progressively reduce overcapacity could have a very positive impact on the steel production outside of China.

We also remain very confident in our ability to improve our profitability, thanks to the success above expectations of our cost reduction efforts. Our restructured modernized and strategically located manufacturing footprints also ensures we are well positioned to benefit from the recovery in end markets, irrespective of which region will benefit, which means that whether Europe recovers or not, we are prepared.

With our capacity investment program now completed, we are equally confident in our ability to increase our free cash flow generation and reduce leverage significantly going forward. This will position us favorably to return cash to shareholders, but also to seize on attractive M&A opportunities when they arise.

I now propose to open the floor for questions. Thank you.

+++ q-and-a

Mark Fielding^ I am Mark Fielding from RBC. Can I just touch on a couple of things. First one, in terms of that mix shift you talked about and you obviously referred to it as temporary. Just I suppose how confident you can be that that is temporary and that those customers haven't made a permanent shift and just whether there's wider thoughts on that?

And then secondly, in terms of the growth you're getting in India, obviously, you've added capacity. Just can you update us in terms of how much of your production in India? Is it all for India? Or are you exporting reasonably from that region as well? Just how do we think about the future mix of capacity and production there?

Patrick Andre^ So on your first question, yes, we are fairly confident that phenomenon is temporary because it don't make much sense for our customers. Saving GBP1 today and renouncing GBP2 of P&L improvement tomorrow is not a completely rational decision. It's a decision that some of our customers have to make or decide to make short term because they are under short-term pressure.

But it's not a rational long-term decision for our customers. So we believe that when the situation on the market will return to normal, we will see a return of more financially rational behavior from our customers to select those products, which give them the best value in use and not only the best short-term growth.

By the way, what we see today, this mix effect, we don't see that everywhere. In the regions where our customers have a normal level of profitability, operating under more or less normal circumstances, we don't see this negative mix impact. We see it mostly concentrated in those areas and EU plus UK is one of those today where customers have a negative cash flow performance and are worried about their own future and their short-term cash situation. So we believe it's controlled.

On your second question about India, could you just repeat?

Mark Fielding^ Just India in terms of -- is the capacity you put in India all supplying India at present? Are you looking to export from India more as well? Just how do we think about the future?

Patrick Andre^ Our strategy in India has been for many years now, a strategy of India for India. I spoke a little bit from India, but a very, very minor part of our activity. We are mostly focused on the domestic market. We export a little bit to Southeast Asia mostly.

This being said, we have flexibility built into our system. Meaning that as we have to increase capacity in India over the next 10 years because the Indian market could double, triple in size, and we have a firm intention to follow this, we are keeping the optionality, the flexibility to export more of India if at any point in time it will be useful.

For example, the Middle East, Africa market, which we today serve from our European operations in Eastern Europe, in case Europe will recover and we would have to use more of our European capacity for EU plus UK production if there is a recovery of demand there, then we could shift part of the Turkey, Middle East, Africa markets to India.

So we built flexibility and optionality in our manufacturing system, which can enable us now to face any type of market situation whether we have on it a recovery in European demand. But our main -- our base case is that our Indian capacity is mostly used for -- to support the growth of the domestic Indian market.

Mark Fielding^ Just a really quick follow-up on that. In terms of -- obviously, CapEx are now normalized. A lot of that was for India. How many years of headroom have we got there before you actually have to think about more investment?

Patrick Andre^ We have now, I would say, two, three years. Best case, three years of headroom in India. But the good news is that we are growing so fast in India that we may have the opportunity to add a little bit more capacity in India two years rather than three

years from now.

If things continue to develop as we speak, we will have again in '25 a strong growth of our activity in India and we have good insight in the growth rate of our top line and profitability in India. So it will be rather good news, it will be rather two than three. We are clearly watching the development there.

Mark Collis^ Adding to this, single digit million. So it's not going to be anything like the scale that we've seen previously.

Andrew Douglas^ It's Andrew Douglas from Jefferies. Three questions, please. Can you just give us an update on the Indian induction furnace market? Clearly, it's been a strong market this year, but it's not one that you serve. This is again a temporary phenomena is my understanding. How confident are you that that unwinds over the next two, three years and why?

You talked, Mark, about India operational gearing being lower than Europe. Where do we sit from an American perspective? I'm assuming that's more Europe than India in that respect.

And I'm not sure when it's going to happen or indeed if it will ever happen. But if we have a normal year, what does free cash flow look like in your humble opinion, just so we can think about modeling free cash flow out over the next few years?

Patrick Andre^ I will let Mark answer the two last questions. Regarding the first one, yeah, we've seen an interesting phenomena during the first half where the growth of the induction furnace market has been higher than the growth of the blast furnace, electric arc furnace market in India. It's a bit kind of not usual, unusual phenomena. And it's probably -- our own interpretation is that it's explained mostly by the fact that consumption in India is growing so fast that the pace at which the large players are adding blast furnace or electric arc furnace capacity is not following, know that India has become -- is now a net importer of steel.

And so the steel prices in India cannot add capacity as quickly as necessary to face the demand. So the gap is being plugged by induction furnaces, which have one characteristic, which are that they are lower CapEx and the CapEx per ton of capacity installed is significantly lower than for the traditional route of production.

The downside, obviously, this is why induction furnace are more or less disappearing in other places of the world is that the quality of the steel that you produce through induction furnaces is by far not the same as the one that you can produce with a blast

furnace or with an electric arc furnace.

So when India as any other country will start enforcing the respect of its construction code and when India will become a bit tougher, which happens in all countries and it will happen in India as anywhere else, will become tougher and enforcing the fact that steel sold in the country is compliant with regulation, which is not 100% the case with induction furnaces based steel. Then we believe that induction furnaces growth will be - induction furnace will remain for some years to come, but the growth will be lower than the growth of blast furnace and electric arc furnaces.

Mark Collis^ Yeah, two questions, Andy. So the first one, operating leverage of the US. If I say North America, which is probably more relevant for us. So I would say you're right, it's in between India and Europe, and there's two reasons for that. So One is Flow Control largely supported that in Monterrey. So we obviously benefit from the lower fixed costs of the Mexico organization.

But then on the other side, we've got a very strong position in Advanced Refractories in the US. And that -- while it has a low level of fixed costs, obviously, it's a much higher proportion of raw materials in that revenue then. So you probably get an average effect in terms of the level of drop-through, but not anywhere near as brutal as Europe has been and can be.

In terms of the cash flow beyond '25, my view is we are still on target for the GBP400 million by 2027. Two things are driving that. I think if we are -- we should expect to see some improvement of our trading profit next year for obvious reasons. We've got the -- we've got the CapEx that's now flat. We've got the costs coming out. So we should see a step-up in our trading profit.

And we should see -- assuming the revenue is moderately growing, we should see broadly flat working capital once you go over the full period. So I think you're kind of talking of -- we'll do something like GBP65 million, GBP70 million of free cash flow this year, hopefully, in the second half. And I think we're probably talking GBP95 million-ish by '26, '27, and then that kind of gets you closer to that GBP400 million target.

Andrew Douglas^ And just a quick follow-up on Mark's question and your comment, Mark. In terms of potentially having to put more CapEx down in India, that doesn't then involve a return to slightly elevated CapEx. You can do that within your new CapEx guidance, either taking it from Europe or the additional cost is (multiple speakers)

Patrick Andre^ Yeah, because as Mark mentioned, when we need to add some capacity in India, we are talking about very low figures because we have two very big plants in

India, one in Vizag, the new one; and one historical one in Kolkata.

Both these plants have capabilities for brownfield expansion. And brownfield expansion, marginal additional capacities are low CapEx. And this is one of our big advantage, big competitive advantage in India is that we have two flagship plants, each of them having marginal expansion capabilities, meaning that we are able to add significant new capacity at low CapEx cost. So high single digits, so it's nothing.

So last time we invested in old Kolkata plant, for example, where we increased by 50%. It's not 10%, we increased by 50% our isostatic capacities in Kolkata a couple of years ago. It cost us GBP6 million or GBP7 million on the top of my head. So we are talking small numbers. So if we want to go to the next level, the order of magnitude is very similar. So we are talking relatively small numbers. So no significant disturbance in our CapEx plan.

Mark Collis^ Actually, if you remember that from last year, we've got 25% of land utilized with 25% expansion capacity. So the expensive assets have been purchased and it's really just to expand into.

Lushanthan Mahendrarajah^ It's Lush Mahendrarajan from JPMorgan. I've got three as well, please. The first is on Europe and a follow-up on sort of the pricing and the trade down point. I guess just focusing on Europe in particular, I think that's probably one of the areas where you're still cautious in the second half and also where you've seen the bigger trade down. I guess it's one month into H2, how are those pricing conversations gone in Europe? And do you think there's a risk that could accelerate the trade down, I guess, what your competitors are doing as well there?

The second question is on China. You sort of touched on it in the presentation and China more generally reducing capacity in a lot of industries at the moment. I guess how do you see that playing out? I know it's difficult to call, but do you see that sort of a big haircut to production? Or do you think it will be more gradual? And when do you think you could start to see the benefit?

And then the third one is just on India. You talked about how it's now firmly higher profitability than the rest of the group. Can you just remind us that sort of pricing power, is that mix? Is that more efficient production? Or is that a bit of everything? And I guess, does that margin keep going up from here for India? And I guess how much higher can I get?

Patrick Andre^ Thank you. On the first point, regarding your first question, regarding Europe, we are and we remain very cautious regarding the evolution of volumes in EU

plus UK, not that much in Middle East Africa, which we believe will rebound and will evolve. But EU plus UK strictly speaking, we are very cautious on volume evolution.

As you know, there has been a lot of talks but for years now that at some point the European Commission will take some measures to protect the European market from steel imports. We have again talks over the summer. The commission has again said that with September something will happen. We've become very cautious on this as we've seen significant discrepancy between [roles] and action. And our best case is that in Europe and this is what we are seeing today, will remain subdued and probably continue to decline in the second half as compared with the first half.

This being said, if we have a good surprise, we are fully equipped to take advantage of a bit surprise if this would happen. In terms of pricing, we are increasing prices as we speak with the utmost level of dialogue with our customers with whom we have been discussing for many months now. And we fully understand and respect the fact that increasing prices is something difficult for our customers in the current circumstances in Europe, but it has to be done. It has to be done and we have now reached the point where we are increasing prices whatever because it's absolutely necessary and we cannot delay it further -- increase in prices, so these price increase are happening as we speak.

On your second question, you're right to say that it is a difficult one. The building blocks are relatively simple. On one hand, the Chinese government, which is now, I believe, firmly committed -- not only involved but also in actions are generally more efficient than the European Union Commission, firmly committed in action to reduce steel overcapacity.

But at the same time, the domestic consumption of steel is also declining. So the question is how do the (inaudible) of a decline compare. We believe that the most likely scenario -- I am being cautious, as I say, the most likely scenario, not 100% certainty, the most likely scenario is that sometimes in '26, you should start to see some softening of Chinese steel exports to the rest of the world compared with the extremely high level where they are today.

And when this happen, I cannot tell you if it will happen end of '25 or '26 or mid '26, but when it happens, this should have a positive impact on the steel production in the world outside of China which clearly will benefit Vesuvius because we realize 90% of our sales. China is a very important country for us. We are growing in China, but 90% of our sales are made outside of China. So when those steel exports are outside of China will start to decline, we expect tailwind for Vesuvius.

Regarding India, the reason why we have a good profitability of India is a mix of everything. It's first because we are benefiting for -- you have a virtuous circle because we are benefiting from increasing volume and very strong growth. So we are leveraging our capacity very well in China. Our fixed cost absorption is very good -- in India -- sorry, in India, our fixed cost absorption is very good because each time we build a new capacity, it takes two, three years and it's filled. So the ramp-up is very quick.

I was mentioning earlier the isostatic capacity, which we increased 50%, 50% in Kolkata two years ago, and we are filling this very fast. So this is the reason why we are now starting the engineering studies for the further capacity increase step. So we benefit from a very good loading of our plants in India. Our OpEx, SG&A costs are also structurally lower than elsewhere. And not only because of labor cost level, but also because many of our operations are very modern. The level of digitalization is high. And so we are structurally very competitive cost structure in India.

And last factor, but important one is that our Indian customers are very sophisticated. So they produce -- steel [plants] in India are producing very good quality steel. They are, I would say, more and more better and better quality steel over time. They want to position themselves as a state-of-the-art steel producers on average more than in China. So the quality of steel being produced in India is extremely good. And because this quality of steel being produced is very good, they are very eager about the help, the support that we can bring them with some of our most sophisticated products to help them improve the quality of their steel and by doing so, improve their P&L.

So we have a very virtuous circle on all aspects, cost, capacity loading, product mix in India, which explains why not only now, but in the foreseeable future, we project a good level of profitability in India. And could it go even higher? This is what I tell my Indian team that they could do even better than what they are already doing. And I believe it's true, by the way. But yeah, the sky is the limit. So we believe -- and I personally believe that we have the possibility to go even higher in terms of profitability in India, yeah.

Jonathan Hurn^ It's Jonathan Hurn from Barclays. I also have three questions, please. Firstly, as you say, it's a pretty tough operating environment out there. I'm just thinking in terms of your customers and their payments to you. Are you having any issues in terms of them paying you on time and paying the amount? Are you seeing an increase in the level of bad debt from your customers? That was the first one.

The second one was just, obviously, you're talking about pricing covering inflation through the second half this year. How much of that inflation actually is going to be covered in H2? And as we look into FY26, obviously, we're probably going to see another wage increase coming through. Are you going to have to increase prices again and push

further price rises through to your customer to cover those increasing in employee costs?

And the third one was just on that outstanding GBP22 million of savings coming through in '26 to '28. Can you just give us a feel of the phasing of that, please?

Patrick Andre^ So your four questions. I will let Mark answer the first one. I will answer the first three ones. We are watching extremely closely the payment patterns of our customers everywhere in the world and especially in areas where customers are fragile and may be undergoing some difficulties. And this includes, but not limited to, Europe plus UK. And we have had no bad debts, and we have no intention of having bad debts, at least we will do our best for not having them. And we have a clear no tolerance policy, no tolerance policy vis-a-vis all customers without any discrimination or exception. which are not paying on time as they should.

And yeah, we've seen some customers either because they were in a difficult situation or because for internal policy decision reason trying to delay payments, we have and we will continue to strongly resist any such attempts. And we have very clear policy, no payment, no delivery. And this will continue going forward. We don't believe that this is a normal relationship. A customer not paying its use is not a normal and acceptable customer behavior, and we have no intention to accept that neither yesterday or tomorrow.

Regarding pricing, we are starting, and we will start in the second half to recover part of the price differential that we had negative price differential that we had during the first half. We will not recover in the second half 100% of what we had lost in the first half, but I expect between a significant part of it. A significant part of it will be recovered in the second half, but not 100%, maybe one third of it.

And -- but we will continue in '26 because our policy, and this answers your third question, I think, remain the same. So for a company like Vesuvius, and we believe all refractory companies in the world, we have no other choice. If we want to remain a going concern long term, we have no other choice, but to cover our cost increase with price increases. We owe it to our customers to be very tough in terms of bringing our cost down as much as possible. This is a moral commitment that we take vis-a-vis our customers.

And you can see that in the case of Vesuvius, we are making very strong efforts in that respect. But we cannot make miracles. At some point, we need to buy raw materials. We need to -- and when our cost increase, yeah, we have and the industry has to pass through these cost increases to our customers. By the way, we do it the other way

around. And we have -- we are fair vis-a-vis our customers. When raw material prices decline, for example, we also pass it through on the downward trend to our customers. So we have -- we promote a fair and objective long-term partnership with our customers. And when costs go up, it means price go up. And so we have the firm intention to continue to increase prices to fully recover over time what we lost during the first half.

Maybe, Mark you can take the last question.

Mark Collis^ Just a couple of things to add actually that I think Patrick will appreciate. So when it comes to some of our customers in Europe, we will get personally involved with management of those steel customers and tell them they can't -- we were refused to supply them because it's important that we back our commercial teams. We don't ask them just to have the difficult conversations. We actually engage in those conversations ourselves because you are risking clients, steel plants being shut down, but that's the nature of what we need to do to manage things.

And on the cost inflation, one thing that I would point out is last year, we did make some tough decisions around inflation. So for example, in China, we decided not to have any pay increases at all until the second half. And I think, again, that's something that Vesuvius management will do. We'll look at what -- not just the environment, but what can we actually afford. So it's not a given that we'll have cost inflation everywhere at the rates that you might think we might because we'll make some difficult decisions.

And then on the cost side, in terms of the cost savings, so the GBP22 million, I think it's a fair assumption that we can assume GBP10 million in '26 and GBP10 million in '27 and then just a bit in '28 because practically speaking, we've got to get the costs out as quickly as possible. And we say in year '28, which basically means you've got to get most of it done in '26 and '27.

Mark Jones^ It's Mark Davis Jones from Stifel. Two for me, please. Could you tell us a little bit more about what you're seeing in North America? You called out weakness in Mexico. Is that just a temporary issue around all the tariff uncertainty? Or is it something bigger to worry about there? Are you seeing any uptick yet in US activity? Last time, it was a bit of price, but no action in terms of volume? That was the first question.

And then secondly, we haven't talked much about foundry. You see volume stabilizing but not ticking up from here. Do you think you have your cost base and your cost footprint in the right places in foundry? Or does that need something more structural to revive profitability there?

Patrick Andre^ Thank you. On your first question, there are several points. First we believe that the US will probably significantly increase steel production going forward. And we see the first signs of an uptick. If you look at the evolution of US steel production over the first half last year, it's 0.8%. But in June, it's 4.9%. So you have the first sign -- and it's logical with a 50% barrier at some point, something happens.

So we see the first signs of import substitution for -- to satisfy US consumption. The US consumer is using more or less more and more steel being melted and poured in the US, which was an intended effect of the policies having been introduced. So we are quite optimistic about the evolution of the US market. And as you know, we are quite well positioned there because the U.S. is the country worldwide where we have the highest sales per ton of steel. So our penetration rate in the US is the highest in the world.

The Mexico and Canada are more complicated questions because we still don't know, as you know, if they will be in or out. So it's one of the still moving parts of the global discussions ongoing. So the honest truth is that I don't know yet what will happen in Mexico.

This being said, you have a few important things. The first one, Mexico seems to be that the probability that Mexico will be in is probably high. I'll be very cautious. You will forgive me if I'm wrong because -- but I think that there is a growing probability that Mexico will be high. The negotiations with both Mexico and Canada are not concluded, as you know. But you've seen the way Mexico and Canada have been treated on an interim basis, not the same. Mexico retains a 0% tariff during the continuation of the negotiation, which is not the case of Canada.

So there seems to be a relatively, I hope, good probability. If this is the case, we could see a growth of production in Mexico going forward despite the short term -- short-term first half was not very good in Mexico, but it could prove to be only temporary. And you have, as you may know, new capacity being planned, new steel production capacity being planned and in Mexico, real production capacity, we still melted and poured which is important in the negotiation. Real steel being melted and poured, not Chinese steel being imported a little bit reprocessed and reexported, real steel being melted and poured in Mexico.

The probability that this type of steel be included inside the global North American fortress is probably quite high in my opinion. So we are quite positive about the evolution of Mexico. And at the same time, Mexico may close itself to import of steel from other origins and in some respect, getting closer in terms of tariff policy to where the US is going. And Mexico is a big question -- Canada is a big question mark.

Canada is a big question mark because, again, you know better than I do, but Canada is torn between the two options, joining the US or remaining a little bit out. So Canada will be more neutral. But Mexico, I'm rather positive about what could happen in Mexico going forward, even if we may have surprises.

Regarding foundry, we've done a lot. We are continuing to do a lot, but we are on a very good path in terms of adapting our cost structure. As you know, we've closed the beginning of the year our UK plant in works, transferring the production mostly to Turkey. We are heavily restructuring our operations in Germany in very good -- with a very good social dialogue with our German unions, which are extremely responsible, and I would say, supportive because they see the long-term interest of our manufacturing operations in Germany.

So we are automatizing, reducing headcount in Germany quite significantly for our foundry operations. Transferring out of Germany those structurally labor-intensive activities, keeping in Germany those activities which we can automatize, robotize and make efficient irrespective of the situation in Europe.

So the job is not as advanced in the Foundry division than it is in steel. But I would say 12 months from now max, it's probably two thirds done. And 12 months from now, we will be mostly over in our restructuring of the European operations in foundry. So we are progressing fast, and we are doing everything we can to accelerate even further to put that behind us.

And I'm quite confident that we will have a very competitive and well-sized manufacturing capability in Europe for foundry also with the same flexibility than the one I mentioned for steel earlier, meaning that with the optionality to benefit from a potential recovery in Europe if it happens. But at the same time, if it doesn't happen, a very solid base, whatever.

Mark Collis^ A couple of few things I'd mentioned that you would have seen on Patrick's slides. One is planned for India, which is going really, really well. And the other one is the growth in nonferrous, which is typically high margin than ferrous. So even in a fairly subdued market, you've still got some positive growth drivers there in the underlying business.

Patrick Andre^ Any further questions? May I ask if there are any questions online.

Operator^ (Operator Instructions) There are no questions on the conference line. Ladies and gentlemen, that concludes today's question-and-answer session. I will now

hand back to Patrick Andre for concluding remarks.

Patrick Andre^ Thank you very much to all of you for your attendance today. We remain with Mark at your disposal should you have any questions as usual. And I wish you a very good day. Goodbye.